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Foster-Carter, Aidan

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# 1997: How Long Can North Korea Go on Like This?

Aidan Foster-Carter

In commenting on North Korea's prospects for 1997, I feel inclined to be cautious; not least because I have been incautious in the past. In my *Korea's Coming Reunification*, published by the Economist Intelligence Unit in 1992, I wrote: „Korea will be reunified; certainly by 2000; probably by 1995; possibly sooner“ (page 96). The fact that I was wrong about the possibly and the probably should, and does, make me pause to reflect whether I can still be so certain about the certainly.

In the same work I also stuck my neck out on the issue of how as well as when: „Hopes ... for a gradual transition ... are in vain: there will at some point be a system collapse in North Korea, as in East Germany“ (ibid.). In subsequent debates in Seoul, I may even have coined the word „collapsism“ for this position: not a wish, then or now, but an expectation. In the early 1990s this was an unpopular view in South Korea, though it may have more adherents now. But putting aside all preconceptions, what are Pyongyang's prospects in 1997? This short article looks in turn at relevant aspects of the north's polity, economy, and society.

## 1 Polity

One striking aspect of the North Korean political system is that due process has gone by the board since Kim Il-sung died. It is not just that the country has been without both a head of state and a party general secretary for more than two years. Other institutions too seem to be in limbo. The Supreme People's Assembly failed to assemble in 1995 or 1996, so depriving us of Ms Yun Gi-jong's usual budget speech. The SPA is in any case out of time, since a new election was due in 1995. As for the party, not only is it now 16 years since the last full KWP Congress, but it is not even clear that the usual Central Committee plenary meetings have been held.

This relates to a second aspect. CC plenaries decide job appointments (or disappointments), but these too have been in limbo since July 1994. Except in case of death (as when Choe Gwang eventually succeeded O Jin-u as defense minister), hardly any of the North Korean elite have lost or gained either jobs or party rank. This would be odd in any polity, but especially in a communist system in the throes of both a difficult succession and a generational shift. Even people who are clearly either too ill to do their jobs or out of favor remain nominally in post: respective examples being prime minister Kang Song-san, and Kim Jong-il's unloved uncle Kim Yong-ju, still listed (although not often) as both a vice-president and Politburo member. All this adds to the sense of a polity somehow in abeyance.

A third oddity is that even the big public displays that used to pass for politics in North Korea are now few and far between. Major red-letter days, such as the state and party anniversaries in September and October, went almost unmarked last year. It is tempting to speculate that under present conditions, particularly after two years of flooding and food shortage (more on which below), the regime fears that any mass gathering of the populace might backfire. This may also explain the failure of the SPA to meet (in case genuine debate might break out, as indeed it ought to), and the prolonged postponement of Kim Jong-il's twin coronations.

But if formal politics is in suspended animation, what of the real thing? There can be little doubt now that sections of the military are in charge in Pyongyang, at least in the sense of having ultimate power of veto. Evidence for this view includes: the rise of several vice-marshals in the hierarchy; the way the military virtually took over the KWP's 50th anniversary in 1995; and above all, the fact that almost all Kim Jong-il's appearances since his father's death (unlike before) are in military contexts. Even last September's submarine incident, just days after the rather successful Rajin-Sonbong investment forum, suggests a spoiling maneuver by the KPA. (I don't mean that they intended to run aground, obviously; but rather perhaps to sabotage - literally - the already slim prospects of peaceful coexistence, and KEDO in particular.)

Hence I believe that Kim Jong-il reigns rather than rules. He is a figurehead, or at best an arbiter between reformers and diehards. Ironically, much as North Korea blathers on about its great and dear leaders, real leadership is one quality palpably missing in Pyongyang. With the single important exception of the nuclear issue, none of the numerous and urgent policy challenges are being grasped. This sense of drift set in even while Kim Il-sung was alive, but has got much worse (along with the problems) since. Hence, frankly, I neither know nor care whether Kim Jong-il will at last assume formal office this year; although if he does, this would imply an increase both in his real power and the regime's confidence. My bet would be that he won't.

## 2 Economy

The ungrasped nettles just mentioned relate mainly to the economy, whose parlous plight is now even admitted by North Korean ministers - if only to foreigners. Kim Jong-u told a seminar in Washington last April that per capita income fell from \$1,000 in 1990 to \$719 in 1995. This would give a total GNP of less than \$17 billion, even tinier than the figure usually cited in Seoul. More recently, foreign minister Kim Yong-nam apparently told a German TV station that the economy was at risk of collapse, and blamed two years of floods plus the collapse of socialist markets.

While both these factors were indeed body-blows, what this omits is that the northern economy was already grinding to a halt amid multiple bottlenecks. That



planned economies must foul up in the end is surely a law of social science by now, brilliantly theorized by Janos Kornai in *The Socialist System*. North Korea's gravest economic weakness is its perverse refusal to concede, in the teeth of overwhelming evidence, the need for systematic economic reform. Even Kim Jong-u is at pains to emphasize that Chinese-style change is not on the agenda. Yet Pyongyang could at least take its cue from Cuba, where cautious moves to permit private enterprise have checked the post-Soviet slide such that growth of about 5% is expected for 1996.

Will North Korea follow suit? Last year brought rumors of moves towards *de facto* contract farming in some areas. If true, this is good news - but it is not enough. Reform has to be publicly endorsed by the leadership, as in China; or else would-be entrepreneurs can never be sure that the wind will not change again, branding them as exploiters. Besides, in North Korea's specific conditions - already industrialized to a degree, and with agriculture already intensive - it is not clear that rural reform alone could have the dynamizing effects on the economy seen in China and Vietnam.

A more promising course might be to expand export-oriented manufacturing. This was indeed one of the three priority areas (along with farming and consumer goods) in the very vague adjustment period of the past three years, following the admitted but unquantified failure of the 1987-93 seven year plan. Nothing has been said about a plan for 1997 and beyond, adding to the sense of drift; one suspects that planning has in effect broken down. On the ground, export-oriented manufacture has been pioneered by Chongryun for over a decade with some success, e.g. selling men's suits in Japan. South Korean firms have been getting involved, mainly in processing-on-commission (POC) so far, although Daewoo now has a factory at Nampo. And there is Rajin-Sonbong, although little of the \$350 million in investment allegedly pledged there to date appears to be for export manufacturing as originally envisaged.

With its cheap, educated and disciplined labor force, North Korea certainly has potential. But there are problems. Politically, both Korean governments have held back. Seoul blew hot and cold on letting southern companies invest in the north even before the submarine incident froze all such contacts, while Pyongyang too has been reluctant to give them a free hand. Economically, such development would at best create a few export enclaves: better than nothing, but no substitute for the huge and costly task of modernizing the north's core industries and its decrepit infrastructure.

Meanwhile, North Korea's true priorities still lie, depressingly, with the Second Economic Committee in Kangdong, east of Pyongyang. The military economy gets the lion's share of diminishing resources, while civilian factories lie idle and people go hungry. Paradoxically, in all sectors earning foreign exchange by any means has top priority, leading to such odd phenomena as North Korean foreign exchange dealers playing the London money markets (and then defecting), let alone official involvement in drug smuggling in Russia and passing forged dollars in Thailand. Such desperate ventures may raise some cash and hone entrepreneurial skills, but they do no more to solve the northern economy's structural problems than for Pyongyang's reputation.

As a result, the two Korean economies, which twenty years ago were neck and neck on many indicators, have now become impossible to fit on the same chart. 1997 will see southern GDP 30 times greater than the north's (circa \$540 billion to \$18 billion), and trade perhaps 150 times larger (more than \$300 billion, to less than \$2 billion). What this gap means for eventual unification is beyond the scope of this article. But in my view, the fact that an ever richer south will be better able to afford to bankroll the north is a plus.

### 3 Society

Much analysis of North Korea looks only at economy and polity, but this is incomplete. It is in the realm of society that Pyongyang's fate will ultimately be determined. So what kind of society now exists north of the DMZ? Despite deeply rooted stereotypes of a hermit kingdom populated by true believers, the real north is complex, contradictory, and rapidly changing. Its varied faces are seen in two very different homecomings at the end of last year, a few days apart. One was the 16-strong family of Kim Kyong-ho, who reached Seoul from Hoeryong. The other was Chong Kwang-son, the teenage KPA soldier who drifted south, stoutly resisted all blandishments to defect, and returned through Panmunjom to a hero's welcome.

Today's North Korea contains both fed-up Kims and loyal Chongs. But you cannot eat loyalty. It seems certain that the number of defectors, hitherto remarkably small, will increase henceforth, perhaps dramatically. Granted, not many have Kim Kyong-ho's motive (siblings in Seoul) and resources (a rich father-in-law in New York and a mother-in-law in Yanbian). But since this year's spring famine is bound to be even worse than last year's, sheer hunger and desperation will be a powerful incentive, particularly for those close to the Chinese border, to make a run for it.

Most however will perforce stay put, but they too are no longer what they were. Studies by the Research Institute of National Unification in Seoul suggest, plausibly, that even before the trade and food collapse in the 1990s, increasing hardship from at least the mid-1980s had begun to take its toll on the loyalty of many North Koreans - particularly as this fall in living standards coincided with the rise of Kim Jong-il. This period saw the growth of bribery, crime (such as pilfering), and cynicism. Now, things have got so bad that the regime has to tolerate people doing whatever they can to find food and simply keep alive, since it can no longer deliver the goods (literally) itself.

How does this affect society? Some argue that the rise of black markets is a stabilizing force, since it staves off complete economic collapse and rebellion - for which people are in any case too busy seeking food, or too weak. This may be true for now, but in the longer term we are witnessing a crucial and, I believe, irreversible change in North Korean society. The regime has failed to deliver, and as presently constituted will never recover its capacity to deliver again. Blaming it all on



foreigners and the weather will in the end fail to convince, as against the simple and ever more widely known fact that next door, in China and South Korea, there is food in plenty. This is how hearts and minds are lost, never to be regained. People feel betrayed.

## 4 Conclusion

For all these reasons I remain a collapsest; even though it is still true, as I wrote (more cautiously) in 1992, that predicting either the precise timing or manner of collapse is impossible. John Deutch, who as outgoing head of the CIA had access to far more and better data on North Korea than most of us, told the Senate intelligence committee in December that change will come in the next two or three years - which means my 2000 target may still be on track. Such change, he added, will take one of three forms: either war, or collapse, or peaceful reunification.

But all three routes, surely, lead to the same destination: one in which North Korea is no more. I freely concede that, writing five years ago, I underestimated the north's capacity to cling on grimly for dear life. Yet failing to expire is not the same as getting cured - a prospect which recedes ever further, as the patient still refuses either to admit that he is ill or to take the necessary medicine. Then again, with Seoul vacillating between offering transplant surgery and euthanasia, Pyongyang's mistrust is perhaps understandable. But that would be another article.